

HB 5184: THE MICHIGAN ELECTRIC CUSTOMER FREEDOM ACT

Safe, reliable, and affordable electric service while creating jobs and saving billions

THE STATUS QUO IS NOT AN OPTION

**MONOPOLY
MARKETS**

**MICHIGAN'S
MESSY MIDDLE**

**COMPETITIVE
ELECTRIC MARKETS**



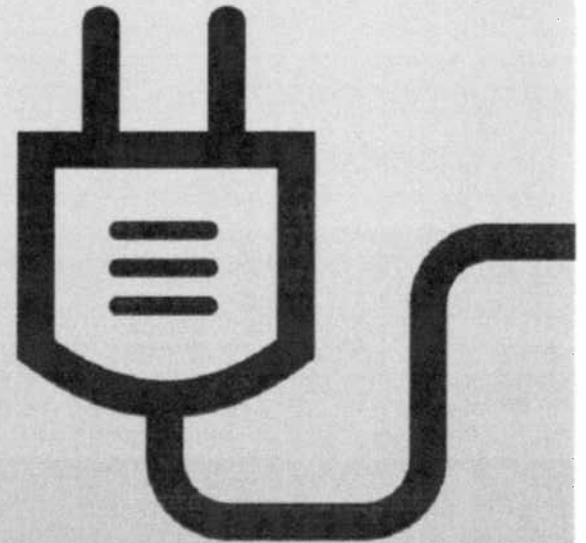
**WE
ARE
HERE**

**STAYING HERE,
SIMPLY DOES
NOT WORK AND IS
NOT AN OPTION.**

THE PROBLEM

Michigan has the highest electricity rates in the Midwest, and rates significantly higher than the national average. Unlike Midwestern neighbors like Illinois, Ohio and Pennsylvania, in 2008 Michigan established an arbitrary 10 percent cap on electricity competition, ending competition that would save customers hundreds of millions of dollars each year.

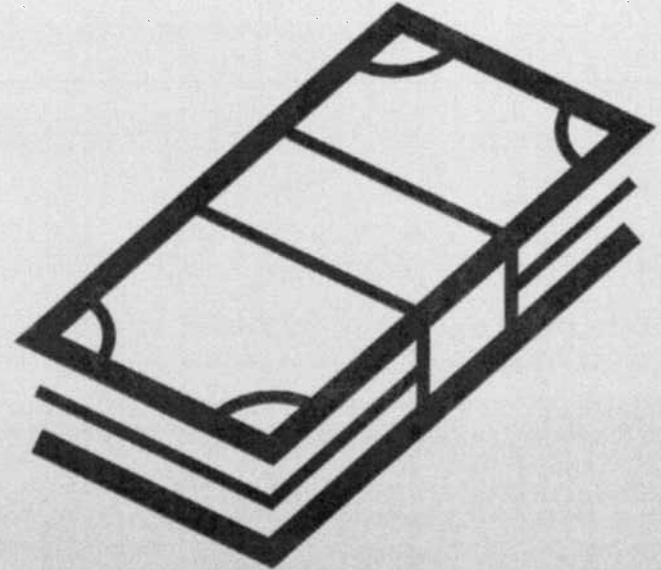
- While electricity prices went up an average of 3.5 percent nationally since 2008, rates have skyrocketed by over 26 percent in Michigan. **That's an increase more than 7 times the national average.**
- Michigan's 26 percent rate increase is **dramatically higher** than those in nearby states that enjoy electric competition, including Ohio, where rates have only increased 9 percent — and Illinois, where rates have fallen 14 percent since 2008.
- Wholesale electricity rates are nearly 40 percent lower than utilities' rates in Michigan.
- Michigan job providers and families **paid an estimated \$3.35 billion in above-market costs for electricity in 2013** — taking billions out of our local economies.



MICHIGAN CONSUMERS PAID \$3.35 BILLION IN EXCESS ELECTRIC PRICES IN 2013*

This is costing Michigan consumers...

- \$106 EACH SECOND
- \$381,600 EACH HOUR
- \$9,158,400 PER DAY
- **\$275 MILLION EACH MONTH**

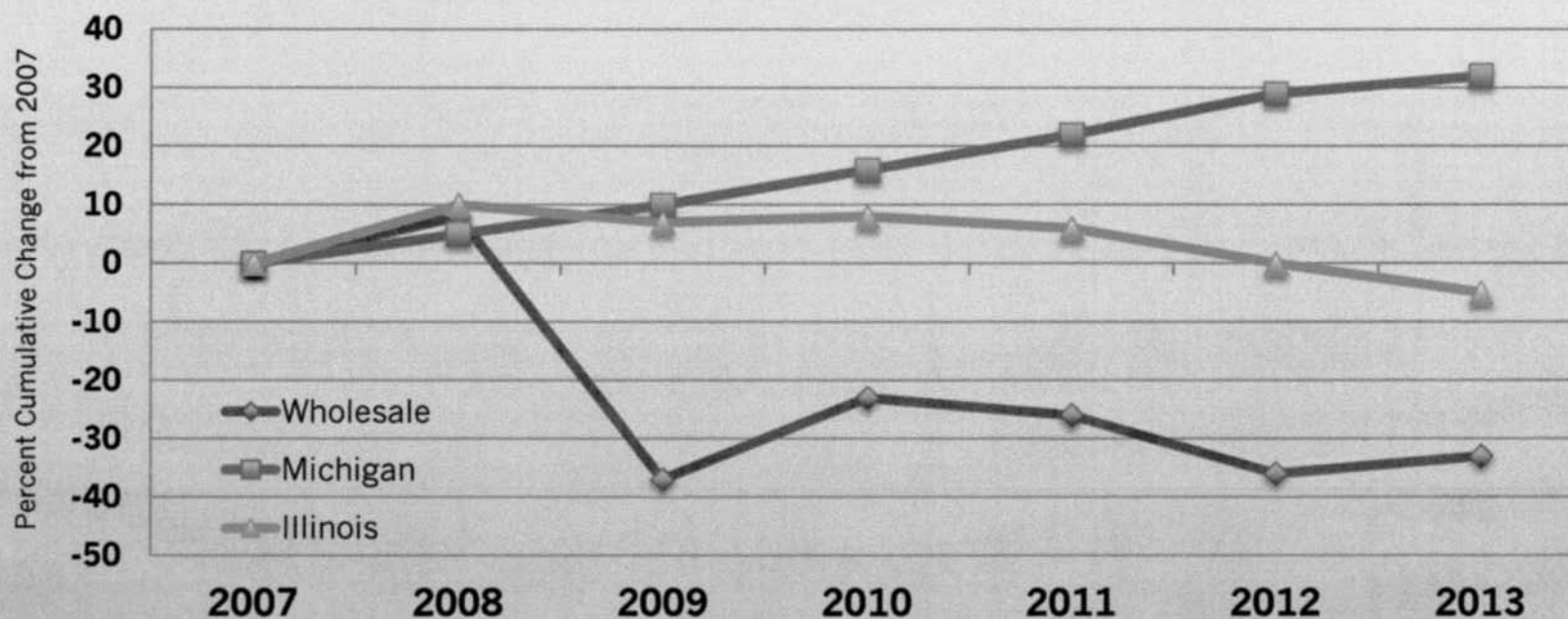


* AVERAGE MICHIGAN PRICE 3.27¢/KWH HIGHER THAN ILLINOIS. 2013 MICHIGAN CONSUMPTION = 102,470,000,000 KWH
 $3.37¢ \times 102.47 \text{ BILLION KWH} = \$3,350,768,999$

WHILE WHOLESALE PRICES ARE WAY DOWN, FOR MICHIGAN CONSUMERS, WITH NO CHOICES, RETAIL PRICES ARE WAY, WAY UP.

Michigan retail prices **up 30 percent**, wholesale prices **down** since 2007.

**MICHIGAN RETAIL PRICE UP 30 PERCENT
WHILE ILLINOIS & WHOLESALE PRICE DOWN SINCE 2007**



Source: Wholesale prices are MISO Michigan Hub average annual day-ahead Locational Marginal Prices, and Michigan and Illinois retail prices from US Energy Information Administration

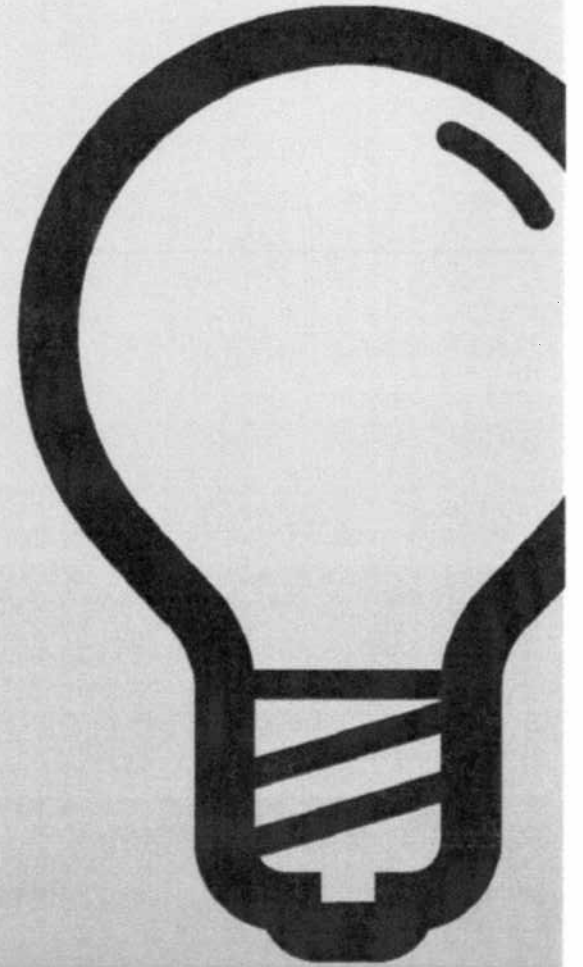
THE SOLUTION – HB 5184

Removing the arbitrary 10 percent cap on electric choice and opening Michigan's electricity market to full competition will mean lower rates, more jobs and greater economic freedom for Michigan job makers and families.

- Eliminates the 10 percent cap on electric competition, empowering job providers and families to shop for the best price while forcing providers to compete for their business.
- Provides for “utility defined” transition of their generation assets from a regulated to competitive wholesale model.
- Specifically allows for consideration of stranded costs associated with generation asset transition.
- Eliminates concerns about transfer of “generation related fixed costs” to customers remaining with the incumbent utility.
- Ensures all customers have “access” to competitive markets, but **DOES NOT REQUIRE ANY CUSTOMER** to change from their current provider.
- Protects the utilities' highest value business model...customer service...by maintaining distribution as a regulated monopoly.
- Preserves the role of the MPSC in reviewing and managing long term capacity planning.



**LET'S TALK
SPECIFICS...**



HOUSE BILL 5184 provides modernized regulation for Michigan electric energy policy that is demonstrably better than the current monopoly-style system in several crucial areas.

Critical questions that must be answered when considering reforms to Michigan's energy policy:

Affordability

Do customers get prices at least as good as states that compete with Michigan?

Reliability

Is reliability at least as good as at present and comparable with states that compete with Michigan?

Protecting – and Creating – Jobs

Is the financial strength of utilities maintained in a transition to a new framework? Are jobs preserved? Created?

Sustainability

Does the framework offer stability, freedom from special interests, economic efficiency, and opportunity for innovation; and does it support energy efficiency and sustainability through renewable sources?

AFFORDABILITY: THE ECONOMIC BENEFITS OF ELECTRIC COMPETITION

OBJECTIVE	PRESENT MONOPOLY	HB 5184	PREFERRED
Competitive rates for Michigan customers	Highest electricity rates in the Midwest, and rates significantly higher than the national average. Rate increases over 740 percent more than the national average, since 2008.	Opens all MI to competition=> customers filling 10 percent cap have saved \$350 million since 2009 => Customers on waiting list would save additional \$235 million annually.	HB 5184
All customers see benefits of competition	10 percent cap on customers.	Opens competition to all.	HB 5184
No subsidies across customer classes	Special rates for some are subsidized by others. State picks winners and losers.	State no longer picks winners and losers.	HB 5184
Policy is resistant to changing special interests	Special interests are continually demanding favoritism.	Competitive supply of commodity is a framework that does not require continual changes.	HB 5184

By every measure, lifting the cap on electric competition in Michigan will cut costs and increase savings for Michigan job providers and families.

AFFORDABILITY
– HB 5184

RELIABILITY: ENSURING RELIABLE ACCESS FOR ELECTRIC CUSTOMERS

OBJECTIVE	PRESENT MONOPOLY	HB 5184	PREFERRED
Local distribution/delivery	Local distribution services provided by regulated utility.	Local distribution services provided by regulated utility.	No change
Regional transmission service	Transmission service provided by regulated transmission companies in Regional Transmission Organization (RTO) – MISO Energy.	Transmission service provided by regulated transmission companies in Regional Transmission Organization (RTO) – MISO Energy.	No change
Economic dispatch and operational reliability	MISO dispatches all generation to serve all load in region.	MISO dispatches all generation to serve all load in region.	No change
Reserve margin	All suppliers have the same percentage requirement.	All suppliers have the same percentage requirement.	No change
Current supply	All economic plants operate.	All economic plants operate.	No change
Future new supply	New supply built if the new cost is less than anticipated market price.	New supply built if the new cost is less than anticipated market price.	No change

HB 5184 does not affect reliability, in any of its facets. Jobs in power plants, transmission, distribution, and new construction are not affected.

RELIABILITY – No change

PROTECTING – AND CREATING – MICHIGAN JOBS

OBJECTIVE	PRESENT MONOPOLY	HB 5184	PREFERRED
Separation of Generation	Generation devoted to monopoly business.	Eliminates utility "generation related" fixed cost exposure.	HB 5184
Recovery of new additional net stranded costs	"Stranded costs" are in effect embedded in regulated generation rates.	Provided for in HB 5184.	Utility neutral under HB 5184
Additional return from competitive supply	Corporate stockholders see no benefit from increased competitive sales — flowed back through PSCR.	Utility affiliate can use generation assets to compete in Michigan and other states, providing addition return to stockholders.	HB 5184
Protect jobs at incumbent utilities	Generation devoted to monopoly business.	Plants continue operating with no change in jobs. Utility affiliates may add jobs to compete in competitive market.	Utility neutral – or – HB 5184
Boost Michigan economy	No change.	Competition expected to create up to 21,000 Michigan jobs per year.	HB 5184

Electric competition would protect current jobs while creating up to 21,000 more, through lower rates and greater local economic investment.

Protecting – and Creating – Michigan Jobs – HB 5184

SUSTAINABILITY:

POWERING MICHIGAN FAMILIES AND JOB PROVIDERS TODAY AND TOMORROW

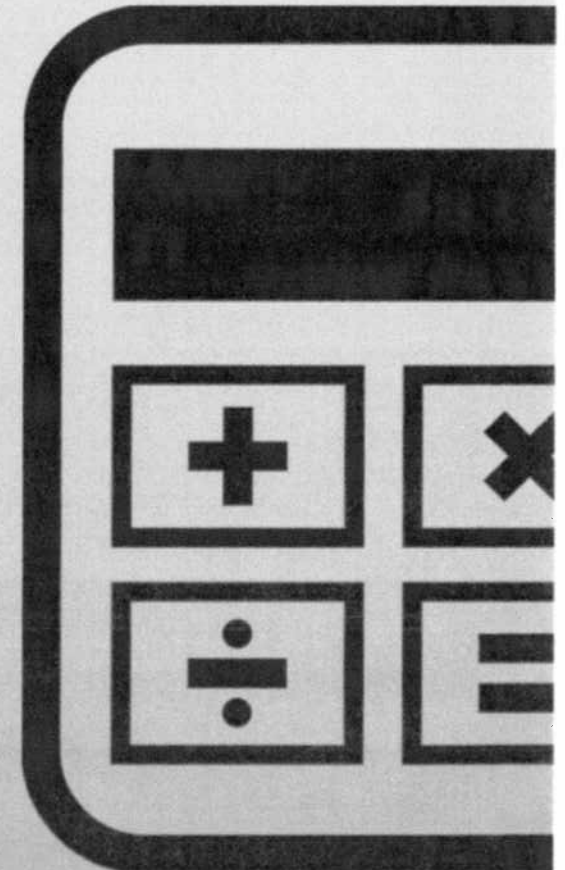
OBJECTIVE	PRESENT MONOPOLY	HB 5184	PREFERRED
Renewable targets are independent of suppliers	All suppliers are subject to the same renewable requirements.	No change.	No change
Energy Efficiency programs and other customer-friendly innovations	Energy Efficiency programs in place.	Energy Efficiency programs in place and opens the market to new innovation.	HB 5184
'Returning customers' add no economic burden	"Returning customers" are served at market price or pledge to take monopoly service. All suppliers maintain reserves.	All customers served at market price. No such thing as "returning customers." All suppliers maintain reserves.	HB 5184
No changes to framework by special interest forces – renewables, subsidized rates, stranded costs, etc.	Constant pressures and battles over special interests.	HB 5184 provides final round of net stranded costs.	HB 5184

SUSTAINABILITY – HB 5184

COST-SAVING INNOVATIONS

RESIDENTS IN COMPETITIVE STATES ENJOY:

- **Virtuwatt** — Load control system allowing commercial customers to take advantage of price responsive offerings and easily modify usage patterns to avoid costs.
- **Energy Optimization** — Platforms that allow commercial and industrial customers to benefit from shifts in commodity prices by turning their energy management and curtailment programs into a revenue stream.
- **Energy Choice Ohio** — An online market enabling residents to compare plans, costs and contract terms and to shop smart for their electric provider.
- **Mobile Apps** — Some providers offer mobile apps that provide customers with enrollment information, tools to manage their energy use and convenient bill paying options.
- **MyEnergy Dashboard** — An online tool that helps residential consumers examine how and when they use electricity and how to reduce energy consumption.
- **Solar Leasing Programs** — Full service system design, financing, equipment, installation, insurance, monitoring, warranty and guaranteed solar power production.



HB 5184 provides sensible, modernized regulation of the state's energy policy with significant advantages over the present monopoly-style system.

RESULTS OF COMPARISON	WINNER	
Affordability	HB 5184 – Major advantage	JOBS
Reliability	No change.	JOBS
Jobs	HB 5184 – Major advantage	JOBS
Sustainability	HB 5184 – Major advantage	JOBS

HB 5184

*Safe, reliable, and affordable electric service
that creates jobs and saves customers billions*

WHERE DO WE GO FROM HERE?

**MONOPOLY
MARKETS**

**MICHIGAN'S
MESSY MIDDLE**

**COMPETITIVE
ELECTRIC MARKETS**

To make this work, we must provide a solution with strong market controls to insure we maintain competitive energy costs.



To make this work, we must provide a solution with strong market signals to insure we meet demand.

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